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SUBJECT: HOTEL LAYOFFS CONTINUE AS TOURIST ARRIVALS REMAIN LOW

Ref: Nassau 765

1. (U) Summary: Tourism levels in The Bahamas have dropped to near post-9/11 levels and led to a wave of layoffs in well-paying hotels jobs - some 800 positions at the premiere, U.S.-owned Atlantis Resorts in Nassau two weeks ago and another 150 terminated at other hotels since then. With the economy highly dependent on tourism receipts, Standard and Poor's Rating Service lowered its outlook for The Bahamas from neutral to negative on November 24. Prime Minister Ingraham addressed the nation on November 10 to discuss the economic downturn, asserting the GCOB will launch unemployment programs and aggressive marketing campaigns geared toward the U.S. market. End Summary.

Fewer Travelers Turns Economic Outlook Negative

2. (U) Americans make up over 80% of tourists to The Bahamas and a sharp drop in U.S. travelers to near post 9/11 levels is severely hurting the local economy. Tourism dropped by 16% following the events of 9/11 - today tourism levels have dropped by nearly 12%. Harbourside Resort timeshare residences, located next to the premier, U.S.-owned Atlantis Resorts, dismissed 140 workers on November 18. This came only a week after Atlantis laid off 800 workers (reftel). The British Colonial Hilton, the main business hotel in Nassau and a hotel thought to be coping better than most with the drop in visitors, unexpectedly terminated 18 employees on November 20. Hotel employees at Our Lucaya Resort, the largest hotel in Freeport, are working reduced hours and layoffs are expected. U.S. Customs and Border Protection (CBP) noted a 15% reduction in air passenger traffic at Nassau airport in October and November compared to 2007 levels. The Bahamas Chamber of Commerce saw a 20% downturn in membership rates in October and November as small businesses have had no choice but to close operations.

3. (U) Standard and Poor's Rating Service lowered its outlook for The Bahamas from neutral to negative on November 24, confirming fears about a continued downturn in 2009. Press and public reaction to the recent lay-offs has been restrained and resigned. The opposition PLP party said the GCOB should have interceded to prevent hotels from letting Bahamian workers go. Yet a demonstration by unemployed hotel workers on November 20 was not sanctioned by union leadership and very poorly attended, with only some 35 former hotel employees demanding more assistance from the GCOB. (In contrast, hundreds of Bahamians marched in support of the death penalty only days later - crime may remain a hotter political issue than the economy for the moment.)

PM Warns of Hard Times, Promises Stimulus

4. (U) On November 10 Prime Minister Hubert Ingraham addressed the nation on the current economic downturn and the GCOB's plans to mitigate negative effects. The timing of the address was significant, airing on the eve of a mass lay-off at Atlantis Resorts, The Bahamas' largest private employer (reftel). The PM shared his gloomy view of the Bahamian economy and the negative impact the decrease in tourism has had on the country. The PM said the GCOB will implement a temporary unemployment program to

alleviate the burden of the recent hotel layoffs and also said the GCOB will increase tourism marketing, with particular emphasis on the United States. The PM noted that The Bahamas is "the closest, friendly, English-speaking destination which uses the same currency and enjoys U.S. Customs and Immigration pre-clearance facilities" as an alluring factor for Americans planning vacations. The opposition PLP and the Bahamas Chamber of Commerce argued that the PM's speech lacked a clear vision for the way forward and did not have new ideas for attracting non-tourism related foreign direct investment.

15. (U) Comment: The GCOB is considering stimulus measures, promising 1,000 new jobs in public works by 2009. As unemployment rates rise and tourism falls, the GCOB is braced for more economic bad news. Tourism accounts for nearly 70% of the Bahamian economy and the government is anxiously watching travel levels for the peak season of November to May. The Thanksgiving period will provide important indicators, with observers hoping tourism receipts will be adequate to sustain the sector at the current, albeit reduced levels. End comment.

SIEGEL